EXHIBIT C

8/19/02 Bus. Wk. Online (Pg. Unavail. Online)
2002 WLNR 10478315

Business Week Online

August 19, 2002

Volume 20020819

Can Pixar Keep Drawing Investors?
The film animation outfit is going gangbusters, but its sky-high stock could be a deterrent now that rivals are getting into the act

By David Shook

For Pixar (PIXR), the computer-animated film studio 61% controlled by Apple Computer (AAPL) founder Steve Jobs, success thus far has been about combining cutting-edge technology with a great story -- for investors as well as audiences. As Walt Disney discovered in the 1930s, heartwarming animated tales can draw moviegoers in droves -- and bring in enviable profits.

Pixar is arguably the most consistently profitable studio in Hollywood, making it a star on Wall Street, too. Second-quarter results were surprisingly robust, with earnings up 14% to $10 million (20 cents a share), on revenues that were up 36% to $22.8 million. Jobs boasted the company is "firing on all cylinders" during Pixar's earnings call with analysts on Aug. 8 (for an interview with Jobs, see BW Online, 8/19/02, "Each Film Takes Four Years"). The stock, at $47 a share, just surpassed its two-year high, and has climbed 30% year-to-date.

However, the shares now trade at a punishing 33 times this year's projected earnings of roughly $67 million ($1.37 a share). And Pixar has a market cap of an astonishing $2.3 billion. So, the question arises: Will it come up with the string of blockbusters needed to justify the high valuation?

PREPARED TO BE IMPRESSED. Most of Wall Street seems to believe that Pixar can continue to dazzle. Gerard Klauer Mattison & Co., which has no banking ties to Pixar, rates the stock a buy, and Standard & Poor's (like BusinessWeek and BusinessWeek Online, a division of The McGraw-Hill Companies) gives it a four-star accumulate rating. Analysts consider Pixar a relatively safe bet because they expect it to grow at a 20% annual clip, vs. 10% to 14% for traditional entertainment companies. Even if the stock has reached the peak of its justifiable valuation, Pixar's history of beating earnings expectations could make it worth owning, some analysts figure.

Such high expectations are based on the belief that Pixar's next three films will be even bigger hits than last year's Monsters Inc., which generated $255 million in domestic ticket sales. That's a hefty assumption, given the fickle nature of moviegoers. but then again, Pixar's track record is unblemished. Toy Story, Pixar's first movie, came out in 1995 and did $192 million. It has been followed by three blockbusters, each of which did better than its predecessor: A Bug's Life (1998),

Toy Story 2 (1999), and last year's Monsters Inc..

Pixar's upcoming schedule includes Finding **Nemo**, about a clownfish named Marlin who lives in the Great Barrier Reef with his son, **Nemo** (slated for release in 2003). Then there is The Incredibles, the tale of of a dysfunctional family of superheroes (2004), and Cars (2005), which follows a talkative band of classic cars down Route 66. Jobs appears to be on target with his goal of releasing one film a year, rather than one every 18 months as in the past. That way it can collect multiple revenue streams, such as earnings from later licensing deals, video games, comic books, and DVD and VHS sales, at a more rapid rate.

TROVE OF TALENT. Increasing the frequency of its releases isn't the only tricky transition Pixar has managed since Jobs founded it in 1986 after acquiring computer-graphics assets from George Lucas' film company for $10 million. A pioneer in the development of computer-generated imagery (CGI), Pixar spent years building up its expertise. By the time Toy Story was released, Pixar had grown from a tiny lab producing short films and TV spots into a full-fledged studio built around proprietary animation software and a small army of illustrators and screenwriters.

The company's main asset is the impressive brainpower it has assembled. Besides Jobs -- the visionary behind the company -- there's Pixar President Ed Catmull, a former LucasFilm computer-effects expert, who works alongside Executive Vice-President John Lasseter, a former star Disney animator. The two execs directed the technology and animation art behind Toy Story and have provided solid day-to-day leadership ever since. Last year, Catmull was promoted to president and Lasseter signed a long-term contract.

Their goal is to maintain the mix of comedy, high-quality 3-D illustration, technical innovation, and storytelling that propelled Pixar's first four productions. Harvey Deneroff, founder of Animation Consultants Intl. in Los Angeles, believes Pixar is by far the best positioned animation studio. "Pixar does have the best directorial talent," he notes. "The company has made four films that are some of the most profitable ever released by Disney (the distributor and co-producer of all Pixar films). That's a good sign." Nonetheless, Deneroff cautions, "whether those past films translate into continued financial success is speculative."

TICK, TICK, TICK. Indeed, Pixar can't afford a single misstep. Each of its releases has proven to be a major cinematic event for the American family, so the company is batting .1000 at the box office. "All it will take is one Pixar production to bomb at the box office," says Deneroff.

Meanwhile, competition has increased exponentially. Sony Pictures' ImageWorks, 20th Century Fox, DreamWorks SKG, and other studios all have produced major computer-animated films or have them in development. The rival productions are getting more complex and expensive each year. Indeed, Pixar's ego was no doubt dented when PDI/DreamWork's animated hit Shrek outdid Monsters Inc. by pulling in $260 million at the box office and winning the Oscar for best animated picture, the first ever given.

THAT DISNEY DEAL. Pixar can afford to take some risks. It has no debt and $300 million in cash in the bank, largely thanks to Monsters Inc. Increasing the frequency of its releases to once a year should boost revenues substantially. And

Pixar could also boost revenues by dropping or renegotiating its joint-venture deal with Walt Disney Co. (DIS). Since 1995, Disney has received half the profits from each Pixar release in exchange for sharing the production costs. (Disney receives a separate fee for distributing the films.) Pixar has three more films to produce with Disney under the current contract. But after 2005, Pixar could strike out on its own -- or increase its profit margins by demanding more favorable terms from a partner, be it Disney or another studio. (See BW Online, 11/16/01, "The Oscars Get Animated")

That's an alluring prospect -- but it's also a long way off and a lot can happen in the interim. True believers may want to own the stock. But at its current price, many investors may find Pixar has maximized its star potential.

---- INDEX REFERENCES ----

COMPANY: TALENT; APPLE INC; DISNEY (WALT) CO; WALT DISNEY CO; SONY PICTURES ENTERTAINMENT INC; DREAMWORKS LLC; MCGRAW HILL; SONY CORP; DISNEY (WALT); DREAMWORKS ANIMATION SKG INC

NEWS SUBJECT: (Corporate Financial Data (1X059); Major Corporations (1MA93))

INDUSTRY: (Motion Pictures (1MO51); I.T. (1IT96); Entertainment (1EN08); Multimedia Production, Graphics & Publishing Software (1MU67); Application Software Development (1AP78); Software (1SO30); Software Products (1SO56); Multimedia Software Applications Development (1MU49); Application Software (1AP32); Computer Equipment (1CO77); 3D Animation & Rendering (13D60); PC Technology (1PC89))

Language: EN

OTHER INDEXING: (ANIMATION CONSULTANTS INTL; APPLE COMPUTER; DEAL; DISNEY; DREAMWORKS SKG; GERARD KLAUER MATTISON CO; LUCASFILM; MCGRAW HILL; MONSTERS INC; PREPARED; SONY PICTURES; TALENT; TICK; WALT DISNEY; WALT DISNEY CO) (BusinessWeek Online; Catmull; Deneroff; Ed Catmull; Finding Nemo; Harvey Deneroff; Jobs; John Lasseter; Lasseter; Nemo; Pixar; Steve Jobs; Toy Story; True) (Daily Briefing)

Word Count: 1316
8/19/02 BUSONLINE (No Page)
END OF DOCUMENT